REMARKS

Claims 15, 22, and 24 have been amended. Support for the limitations is found throughout the specification. No new matter has been entered. Claims 15, 20, 22 and 24 remain in the Application. Further examination and reconsideration of the Application is hereby requested.

In Section 4 of the Office Action, claims 15, 20, 22, and 24 were rejected under 35 USC §101 because the claimed invention is directed to non-statutory subject matter. This rejection is respectfully traversed in that the claimed subject matter not only passes the "machine" test but also the "transformation" test as well. Further, even if <u>in re Bilski</u> is overturned, the claimed invention is "concrete, tangible, and useful" which the Supreme Court in <u>State Street</u> stated is the correct criteria for statutory subject matter.

For instance, in addressing the Examiner's specific rejections in Sections 5-9, the Applicant submits the following response:

In Section 5 of the Office Action, the Examiner asserts that a §101 process must (1) be tied to another statutory class (such as a particular apparatus) or (2) transform underlying subject matter (such as an article or materials) to a different state or thing. In addition, the tie to the particular apparatus cannot be mere extra-solution activity. For claim 15, it includes the step of "representing <u>an amount of a consumable item</u> in <u>a consumable article</u> as currency in <u>a memory device</u>." These are not mental steps but concrete and tangible items which ties the step of representing the amount of the consumable item as currency in a tangible memory device. Further, after the step has occurred, the state of the memory device has changed as the memory contents are modified to reflect the different amounts of the consumable item in the consumable article. Further, the amount of the consumable item is transformed into a currency representation in memory. Electronic currency organized in memory is a different "thing" than the amount of the consumable item. Nor is this step a "mere extra solution activity" but rather an integral part of the process in order to take the physical item of "an amount of a consumable item" and convert it to electronic form whereby the other steps can use the represented currency in memory in the other steps of the process such as the next step of "expending a portion of the currency as a royalty

to create privileged content." Accordingly, it is not extra-solution activity but rather pre-solution activity that transforms a physical article to an electronic representation which is further manipulated by the other steps of the process.

In addition claim 15 includes the step of "preventing the use of a portion of the consumable item by a valve in proportion to the amount of the expended portion of currency." How is "preventing the use of a portion of the consumable item by a valve" not tying the process step to another statutory class such as a valve apparatus. Further, this is also not a mere extra solution activity but rather an integral activity which is used to prevent the use of the consumable item based on the amount of the expended portion of currency which is stored in the memory. The process ties the memory, valve and consumable item which are all physical elements together in a way that provides a concrete, tangible and useful result of allowing one to use the consumable item in a consumable article as something which can be bartered for the right to create privileged content. Other physical ties include the "network" used to make the payment to a clearing house and after such payment, allowing the use of the consumable item by the valve once the encumbrance of the bartered amount is removed. Note, this step also reflects a change of state of the consumable article as it now can dispense the consumable item. Accordingly, claim 15 is patentable subject matter under §101 under either Bilski or State Street and the rejection under §101 is respectfully requested to be withdrawn.

Claim 20 has similar physical ties to the method steps that are not mere "extra-solution" activity. For instance claim 20 includes the step of "purchasing a consumable article having a consumable item therein configured to allow recreation of royalty based content. These physical items of a statutory class of apparatus are tied to the other steps such as the step of "creating a digital cash account for the consumable item having an amount proportionally related to the *amount of the consumable item*." Note there is a transformation here of a digital cash account being created as a different thing from the amount of the consumable item. Further, the step of "expending a portion of the consumable item with the consumable article" is not a mere "extra-solution" activity but rather a integral activity as part of the claim as that expenditure then recreates the royalty based content and causes a debit charge to incur. Further, "reducing the amount of *the digital cash account* over a network by the amount of the debit charge

incurred" is not an "extra-solution" activity either as the *digital cash account* is further used in the next step for "preventing the use of *the consumable item* by a valve in proportion to **the reduced amount** of *the digital cash account*." It is not the actual digital account amount but rather the "reduced amount" that is used to prevent the use of the consumable item. Note also that here there is again a transformation as the consumable item is prevented from use by a valve (and thus a tie to another statutory class) in proportion to the reduced amount. This is clearly a change of state of the consumable article. Rather than equating claims 15 and 20 to non-statutory patentable subject matter as the claims in Bilski, claims 15 and 20 are exemplary sine qua non of how such method claims should be constructed. Withdrawal of the rejection under §101 for claim 20 is respectfully requested.

Claims 22 and 24 have been amended to more clearly place the apparatus into a state of being such that the apparatus is configured to use the method of the respective base claim. Accordingly, claims 22 and 24 are statutory subject matter. Withdrawal of the rejections for claims 22 and 24 under §101 is respectfully requested.

Claim 15 has been amended to correct a missing definite article.

Claim rejections under 35 USC 103(a)

In Section 11 of the Office Action, claims 15, 20, 22, and 24 were rejected under 35 USC 103(a) as being unpatentable over Biscoe, in view of Bertis et al. and further in view Cordery. Applicants respectfully traverse this rejection. The Supreme Court recently addressed the issue of obviousness in KSR Int'l Co. v. Teleflex Inc., 127 S.Ct. 1727 (2007). The Court stated that the Graham v. John Deere Co. of Kansas City, 383, U.S. 1 (1966), factors still control an obviousness inquiry. Those factors are: 1) "the scope and content of the prior art"; 2) the "differences between the prior art and the claims"; 3) "the level of ordinary skill in the pertinent art"; and 4) objective evidence of nonobviousness. KSR, 127 S.Ct. at 1734 (quoting Graham, 383 U.S. at 17-18). Further, the Examiner is not considering the invention as whole for what it claims. The Examiner is merely using Applicant's own claimed subject matter as a template to find various

elements without considering the entire invention as a whole as required by MPEP 2141.02. In determining the differences between the prior art and the claims, the question under 35 USC 103 is not whether the differences themselves would have been obvious, but whether the claimed invention as a whole would have been obvious. In this instance, the answer is clearly no. It is the Inventor's insight of *using the value of the consumable item* (be it ink in an ink cartridge or the energy stored in a battery or any other consumable item in a consumable article) *as either collateral security or barter* to ensure payment of royalty charges for *privileged content reproduced by the use of the consumable item* that together makes it inventive over the various ordinary electronic payment schemes cited in the references made of record. Applicants' note that this concept of using a consumable item to both create privileged content and secure payment (or barter for payment) of its use has not been shown to be disclosed, taught, or suggested by the art made of record.

With regard to the first Graham factor regarding the scope and content of the prior art, Briscoe discloses a "*coinstick*" which is a virtual (a simulated or non-physical) representation of a series of digital micro-payment tokens. Berstis discloses a pair of certified devices to operate within the context of a given security protocol to manage copies of a digital file and associated copy control info. Cordery is directed to an advanced postage payment system that employs *pre-computed* digital tokens.

With regard to the second factor with respect to differences between the prior art and the claims, neither Briscoe or Berstis disclose as in claim 15 of "*expending a portion of the currency as a royalty to create privileged content*" and "*preventing the use of a portion of the consumable item by a valve in proportion to the amount of the expended portion of currency*, thereby creating a collateral security as an encumbrance on the portion of the consumable item" and "after payment, releasing the encumbrance and thereby allowing the use of the portion of the consumable item by the valve." With regard to claim 20, neither cited reference disclose "*creating a digital cash account in a memory device for the consumable item having an amount proportionally related to the amount of the consumable item*" and "*preventing the use of the consumable item in proportion to*

the reduced amount of the digital cash account of the consumable item, thereby *bartering a portion of the consumable item for the use of the content*."

The "coinstick" of Briscoe is really just digital currency which is used to purchase "consumable items" not "create privileged content" such as "a number of pages of personalized news information" (col. 6:10-11). That is, the coinstick is not used to create the privileged content but rather to simply purchase it. Conversely, the Applicants barter or secure the consumable item and prevent the use by a valve of the bartered or secured portion of the consumable item to **create** "privileged content" using the consumable item remaining if there is not digital cash in the account of the consumable item.

Similarly with Cordery, the tokens used are "pre-computed" and simply used as digital coins as in Briscoe. In Cordery, as a stamp is created, at token is removed. In the Applicant's claim, first consumable item itself, which is tangible and simply digital cash, is used to create privileged content and not just payment for the digital content. The royalty charge to use the privileged content (which can vary depending on the content and not pre-computed as in Cordery) is then bartered or held back from further use until a payment by other means at the clearing house. After payment, the bartered consumable item can be used and thus remains available in the consumable article. In Cordery, the pre-computed token is simply removed once a stamp is printed.

With regard to the fourth factor of objective evidence of non-obviousness, Applicants also note that it is improper to combine references where the references *teach away* from their combination. (In re Grasselli, 713 F.2d 731, 743, 218 USPQ 769, 779 (Fed. Cir. 1983)). This principle was cited with approval in the recent Supreme Court decision, KSR. The Supreme Court in KSR discussed in some detail United States v. Adams, 383 U.S. 39 (1966), stating in part that in that case, "[t]he Court relied upon the corollary principle that when the prior art *teaches away* from combining certain known elements, discovery of a successful means of combining them is more likely to be nonobvious." Accordingly, it remains improper to combine references where the references teach away from their combination.

In claim 20, as amended, as shown in Figs. 2 and 10 and described on pages 9:25-10:10 a method of exchanging payments includes purchasing a

consumable article having a consumable item 32 in step 150 and creating a digital cash account for the consumable item in step 154. The digital cash account has an amount that is proportionally related to the amount of the consumable item in the consumable article. In step 152 royalty based content is acquired that indicates an owner of the content and an amount of debit charge for use of the content. In step 156, a portion of the consumable item is expended **to recreate the royalty based content** (and not to simply purchase it but to purchase and recreate the content) and such use incurs a debit charge when royalty based content is **recreated**. The digital cash account amount in step 158 is reduced by the amount of the debit charge incurred. The consumable item is prevented from being used by a valve in proportion to the reduced amount of the digital cash account of the consumable item thus bartering a portion of the consumable item for use of the content (see page 4:17-21). In step 160, the digital cash account for the owner of the royalty based content is updated over a network by an amount reduced from the digital cash account for the consumable item 32. Accordingly, the method of claim 20 is directed to using the consumable item as barter for cash. *The ability to use this consumable item both for creating the privileged content as well as an article of value which can be bartered away is believed to be both novel and non-obvious.* Cordery's token is not used to actually create the privileged content but only to purchase it. Applicant's consumable item is used both as a substance which is used to create the privileged content and as an article of value which can be bartered or used as a collateral security for payment.

Dependent claims 22 and 24, as both amended depend upon claims 15 as amended and 20 respectively and are directed to an apparatus which includes a consumable item and which the apparatus is configured to use the respective method to exchange payments either by collaterally securitizing the consumable item 32 (claim 15) or using the amount of the consumable item as barter (claim 20).

In particular for the rejection of claim 20, the Examiner states that "Briscoe does not explicitly disclose royalty based content that indicates an owner of the content and the amount of debit charge for using the content; preventing the use of the consumable item in proportion to the reduced amount of the digital cash account of the consumable item, thereby bartering a portion of the consumable

item for content." The Examiner then asserts that "Berstis et al. discloses royalty based content that indicates an owner of the content and the amount of debit charge for using the content; preventing the use of the consumable item in proportion to the reduced amount of the digital cash account of the consumable item, thereby bartering a proportion of the consumable item for content." Applicant respectfully traverses that Berstis discloses these limitations. Bertis discloses that when "the method logs an indication each time the digital file is transferred from the source to a target rendering device, and the count is decremented upon each transfer."

Accordingly, nowhere in Briscoe can Applicants' representative find where Briscoe is "*preventing the use* of a portion of the consumable item by a valve in proportion to the amount of the expended portion of the currency." Rather, conversely, Briscoe *allows for the use* or purchase but not the creation or recreation of the consumable item (reading the news pages) in proportion to the amount of the expended portion of the currency. Accordingly, Briscoe is actually *teaching away* from Applicants' claimed invention. Similarly, in Berstis, "a user establishes a 'prepaid' account from which royalty or usage payments are drawn against as files are copied/transmitted. (col. 10:11-14). Thus, Berstis is *allowing for the use* and not *preventing the use* of the consumable item (paper). Applicants had previously amended claim 15 to make it clear that this *preventing of use* of the consumable item is also "thereby creating a collateral security as an encumbrance on the portion of the consumable item" and for claim 20, "thereby bartering a portion of the consumable item for the use of the content."

The Examiner cites the Berstis reference, generally at column 6, line 43 to col. 7 line 29 that there is a discussion of royalty prepayment for usage of content." However, the Applicants are not claiming "prepaid amount (for "n" copies or per rendering of content)" as disclosed in Berstis but the Applicants are rather creating basically a securitized loan or bartering away a portion of the consumable item in the consumable article that is used to create the privileged content. In Bertis, the user has simply purchased a consumable item to create the privileged content and non-privileged content and nowhere is it disclosed that the consumable item be used as collateral security or barter. It is only when privileged content is created by the consumable item and a royalty charge is then

incurred that a user with Applicant's claimed invention can secure payment of the royalty charge by withholding a portion of the remaining consumable item in the consumable article as security for payment. If the payment is never reconciled, then this portion of the consumable item has been bartered away. The inventor's claimed concept is not simply a purchase of a pre-paid amount or per-rendering of content for "n" copies" as disclosed by Berstis and thus claims 15 and 20, as amended, have not been disclosed, taught, or suggested by the art made of record.

Accordingly, the Applicants request withdrawal of the rejection under 35 USC 103(a) for claims 15, as amended, and 20.

Dependent claims 22 and 24 depend upon claims 15 and 20 respectively and are believed patentable based at least on the patentability of their respective parent claims as discussed above.

Accordingly, claims 15, 20, 22, and 24, as respectively amended, are deemed to be in condition for allowance, and such allowance is respectfully requested.

The Commissioner is hereby authorized to charge any additional fees which may be required, or credit any overpayment to Deposit Account No. 08-2025. Should such fees be associated with an extension of time, Applicants respectfully request that this paper be considered a petition therefore.

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